# NASA
## Working Capital Fund

## Preparing a Business Case

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*Realizing the Vision, Safeguarding Resources*

# Overview

- Role of the Business Case

- Process Ownership

- Business Case Development and Review Process

- Documentation Requirements

- Support Resources

# Role of the Business Case

The business case serves two primary roles:

- Ensures candidate organizations understand and can quantify both the risks and benefits associated with transitioning to the NASA WCF

- Provides the NASA WCF Management Team with sufficient information to make an appropriate decision on whether the candidate should ultimately be included in the WCF

In completing the business case, it is helpful to think of the candidate organization as a private company seeking investment funding. The business case should provide sufficient information to allow a third party to decide whether or not to invest funds in the venture.

# Process Ownership

- Candidate organizations <u>must</u> take ownership of the entire WCF transition process

- The business case is more than a document; it is a plan for assessing and managing the transition to the WCF

- Ultimately the organization will be responsible for taking the steps required to efficiently and effectively transition to the WCF

- The assessment must reflect an honest review of whether or not the candidate is an appropriate choice for inclusion

A plan is nothing; planning is everything.

*Winston Churchill*

# Business Case Development and Review Process

## Data Collection and Analysis

- Form study team
- Collect historical organizational, financial and operational data
- Develop go-to-market strategy
- Develop production and financial forecasts
- Identify transition risks and develop risk mitigation strategy
- Document rationale for inclusion in the WCF, identifying and quantifying benefits
- Identify cost savings and complete payback analysis

## Report Development and Submission

- Develop draft business case report that complies with instructions
- Perform internal assessment
- Revise document as necessary
- Submit to WCF Management Team for Review

## Review and Decision

- Respond to questions from WCF Management Team
- Make adjustments to business case document as needed
- Take corrective actions to address deficiencies identified during analysis or review by WCF Management Team
- Resubmit business case for final decision

# Phase 1: Data Collection and Analysis

- Leadership must appoint a study team that will be responsible for all facets of business case development.

- The team will spend a large portion of time assembling or generating historical organizational, financial, and operational data that describes the past performance of the candidate organization. This material may include:

  - Strategic plans
  - Staffing plans
  - Financial statements
  - Accounting reports
  - Organizational mission/charters

  - Cost reports
  - Production statistics
  - Market analysis
  - Budget data
  - Process flow charts

- Much of this data will be needed to perform the day-to-day management of the organization once admitted to the WCF. If the data is unavailable, unreliable, or difficult to collect, the study team should include a plan to improve these conditions as part of the business case.

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# Phase 2: Report Development and Submission

- Once the team has completed the necessary analysis, it must prepare the business case document, complying with these instructions.

- Once the document has been drafted, it should be reviewed by organizational leadership to ensure completeness and that it adequately substantiates a value proposition as a viable WCF candidate.

- It is critical that the candidate's leadership is in total agreement with the business case and supportive of the analysis.

- Upon completion of recommended revisions and program manager approval, the final document should be forwarded to the NASA WCF Management Team for review and comment.

# Phase 3: Review and Decision





- In the final phase of the development process, the candidate's leadership and project team should be available to respond to questions from the WCF Management Team.

- Team may be required to formally present the business case. They may also be required to make adjustments to the business case document as needed and take corrective actions to address deficiencies identified during analysis or review by WCF Management Team. If necessary, they will resubmit the business case for final decision.

# Timeline and Resource Commitment

- While this process requires significant time and resource commitment, it is important that a candidate perform adequate due diligence prior to admission to the WCF to avoid financial or operational problems.

- There is no set timeline or resource commitment to complete the analysis. Each organization will be different based on its size, scale, and complexity.

- While no organization should commit excessive time or resources to the process, each should commit adequate resources to ensure the transition to the WCF will be successful.

# Documentation Requirements

## *Required Sections*

### 1. Purpose

- This section serves as an introduction for the entire business case document.

- It should include a purpose statement and summary of the document.

### 2. Organizational Description

- In-depth description of the candidate organization.

- Should include the organization's mission, structure, and a description of the goods and services the organization provides.

- Should also include a description of operating locations and facilities and unique features of the organization and operation that make it stand out among other government or competitive organizations.

- It should also include any pertinent statutory requirements that impact operations or that mandate a transition to the WCF.

# Documentation Requirements

## 3. Competitive Environment

- This section should include a thorough assessment of the organization's competitive environment for the goods and services it provides.

- If there are no commercial or government alternatives, state so.

- This section should include not only competitive prices, but also a characterization of the marketplace including how customers make buying decisions, typical order sizes, and factors impacting competitive advantage.

- Furthermore, this section should include a go-to-market strategy that addresses how the organization identifies and services customers, what its growth strategy is, and how it will compete with other available alternatives.

# Documentation Requirements

## 4. Annual Financial Information

- This section should include at least the last 3 years of financial data.

- This will most likely be extracted from annual financial reports or any other accounting and financial information that is available. In addition, this section may or may not provide the same level of information that is reflected in the NASA audited financial statements since the candidate organization may not be required to produce this information at this time

- The section should also include budget projections along with a description of the program base and anticipated enhancements in the coming years as a result of transferring to the WCF.

- If the organization utilizes physical assets in production, characterize the degree to which the assets are fixed or variable.

- Also include the amount of cash on hand (advance funding) to fund the transition to the WCF. This information is relevant because no cash corpus was provided to NASA to fund the transition to the NASA WCF.

- The information should be sufficient for the evaluation team to understand the cost of operations, how the funds are spent, revenue (if reimbursed), and what is planned in the coming years.

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# Documentation Requirements

## 5. Annual Production Statistics

- This section should include production data for the goods and services produced by the organization.

- One of the key requirements for a WCF organization is the ability to forecast production and revenue in order to set pricing and size production capacity.

- The study team should spend an appropriate amount of time developing these statistics and the collection methodology to ensure the organization can adequately meet this requirement.

## 6. Rationale for Inclusion in the WCF

- This section contains the fundamental reasons why the organization is a good fit for the WCF.

- It should factor in all the qualitative and quantitative benefits the organization and NASA will gain from transferring to the WCF.

- It should include a characterization of the improvements in cost, quality, and cycle time in meeting customer demands. It should also include a discussion of the capital improvements or enhancements that will be funded once the organization is admitted to the WCF.

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# Documentation Requirements

## 7. Estimated Transition Costs

- This section should include a complete assessment of the cost required to transition to the WCF.

- It should include the costs of process changes, transition planning, training, and information technology changes required to integrate operations into the WCF.

- The analysis should also include a time dimension to indicate when the costs will be incurred. Some costs will be one-time only (e.g. transition training), while others will be recurring (e.g. software and hardware maintenance).

# Documentation Requirements

## 8. Estimated Cost Savings

- This section should include an assessment of the cost savings that may be generated by the transition to the WCF.

- This information should have a time dimension to show both the immediate and recurring savings.

- The section should also include a description of how the savings will be generated. Recall that savings may be generated by process efficiencies, better asset leverage from economies of scale, strategic sourcing, better funds management (e.g. no end-of-year spending drills), and effective capacity management.

- Short- and long-term savings estimates should be made for all applicable mechanisms. While cost savings is not a prerequisite for inclusion in the WCF, to the extent that use of the WCF mechanism enables cost savings and process efficiencies, the business case should

# Documentation Requirements

## 9. Other Benefits

- This section should include qualitative benefits from joining the WCF.

- It may also include topics that have not been addressed previously that address unique features of the organization.

## 10. Payback Analysis

- As mentioned earlier, in looking at the candidate organization as a commercial enterprise, sufficient payback should be generated to warrant taking on the transition costs and risks.

- Financial payback is constrained by projected cost savings generated by the transition to the WCF. While cost savings is not a requirement for inclusion, transition investments should be balanced with tangible benefits (whether financial or operational).

- Payback analysis should include net cost savings projections (the difference between the costs savings and the transition costs) as well as a return on investment (ROI) and break-even analysis.

- Return on investment is defined as the profit or loss resulting from an investment transaction, usually expressed as an annual percentage return.

# Documentation Requirements

## 11. Risk Assessment

- The risk assessment should include an honest analysis of the transition risks associated with the transition to the WCF.

- This should include a description of the risks, a determination of the probability that key planning assumptions will not occur as planned, and a mitigation strategy for addressing each shortcoming. Typical risks include:

  - Longer than expected payback period

  - Longer than expected transition time to new organization or only partial integration (only some Centers participate)

  - Lower than predicted procurement savings from strategic sourcing

  - Higher than estimated transition costs

## 12. Conclusion

- This section should include a concluding argument for transitioning the organization to the WCF.

- No new information should be included here, but rather the section should summarize the case made through the whole document, emphasizing the key points.

# Documentation Requirements

## *Optional Material*

- In addition to the material listed as required, the study team may want to include other information that provides a comprehensive view of the benefits and costs of transitioning to the WCF.

- This is information that will be useful in determining if the candidate organization should be selected and in understanding if it is prepared for the transition to the WCF.

- As with all financial analysis, the key is to be balanced and complete. Candidates should not try to sway the decision by providing only positive information. Again, one of the reasons the business case is developed is to ensure the organization can be financially and operationally viable in the WCF environment. The fact that an organization is not admitted into the WCF is not a negative reflection of the organization, but rather a function of the unique nature of operating in a WCF environment.

# Support Resources

- Sample business case entitled "Business Case for Including the Departmental Copy Services Center in the NASA Working Capital Fund" included in business case instruction package

- NASA WCF web site:   http://ifmp.nasa.gov/codeb/wcf/wcf.htm

- NASA WCF Project Leader or the NASA WCF Implementation team member at your respective location for support.

- Finally, there is an abundance of financial and investment analysis information on the web such as the following web resources:

  – www.solutionmatrix.com - provides business case examples and frequently asked questions

  – www.investopedia.com - provides a dictionary and search engine to locate financial terms